



For Immediate Release  
February 24, 2010

Contact: Scott Mulhauser/Erin Shields (Baucus)  
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(202) 224-4515

**BAUCUS AND GRASSLEY SEEK INFORMATION FROM WELLPOINT  
AND OTHER CALIFORNIA INSURERS ON PREMIUM HIKES**

*In series of letters, Baucus and Grassley seek information for health care consumers*

**Washington, DC** – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Chuck Grassley (R-Iowa) today sent a series of letters seeking detailed answers from California’s largest private insurers about increases in health insurance premiums this year, following news that WellPoint will increase individual policyholders’ rates by as much as 39 percent. In a letter to WellPoint, Baucus and Grassley called on the CEO to explain the decision process behind rate increases and requested specific documentation as to why rates will increase so much. Baucus and Grassley also sent letters to California’s largest insurers – Aetna, HealthNet, Blue Shield of California, Kaiser Permanente and UnitedHealth Group – asking them to detail any increases in premiums for 2010 and provide evidence of why such increases are necessary.

**“When insurance companies hike rates, individuals and families have to make tough decisions about whether they can afford to keep the health insurance they need,”** said Baucus. **“Rate hikes like these can happen anywhere. These rate hikes are particularly troubling when they come at the same time these insurance companies are reaping record profits. Uncontrolled premium increases lead to soaring profits for insurance company CEOs at the expense of consumers.”**

**“Consumers deserve to know the decisions behind these rate increases,”** Grassley said. **“Policymakers need to be informed about the reasons for the increases and understand the effects on consumer affordability and access.”**

The text of today’s letters follows below.

February 24, 2010

**Via Electronic Transmission**

Ms. Angela F. Braly  
President and Chief Executive Officer  
WellPoint, Inc.  
120 Monument Circle  
Indianapolis, IN 26205

Dear Ms. Braly:

As Chairman and Ranking Member of the U.S. Senate Committee on Finance, we have spent a great deal of time working on ways to reduce health care spending and improve access to coverage. In order to develop meaningful solutions, we have a duty to stay current on issues and trends in the health care system, including the private insurance market. We take that obligation seriously, which is why we are writing you today.

We are particularly troubled by reports that Anthem Blue Cross is proposing to increase premiums by an average of 25% but with increases up to 39% for some in the individual market in California. We are concerned that premium increases of this magnitude are out of proportion to rate adjustments made in past years, even in a struggling economy, and will render health insurance unaffordable for people who rely on individual market coverage. With that in mind, we are requesting information to help understand these exceptional increases. We also believe the American people deserve a clear explanation for why premiums are increasing at such an alarming rate.

We take our oversight responsibilities very seriously and we have always believed that greater transparency allows consumers to make better choices. Accordingly, in an effort to obtain more information about these rate increases, we ask that you provide the following information for the individual market for your two principal California subsidiaries:

1. A detailed break-out of the components of the 2010 premium rate increase in California, including more details about the financial and actuarial assumptions outlined in your letter to U.S. Department of Health and Human Services Secretary Kathleen Sebelius on February 11, 2010, as well as the other components and assumptions used in the rate increase but not included in the letter, such as assumptions for consumers dropping coverage, administrative costs, consumers migrating to products with higher deductibles/cost sharing, new consumers, components of trend, profits for 2010 and 2011 and prior year losses.
2. The 2010 premium increase by consumer policy (including age, gender, and geography), and benefit design (i.e., size of deductible/cost sharing). If health status or claims experience is used in renewal, please describe how and show its impact.

3. The average fee schedule increase Anthem will pay hospitals and doctors in 2010 and that is reflected in the medical cost trend assumption for 2010 and 2011.
4. The independent review of 2010 premium rate increases conducted by Milliman, Inc., including its review of WellPoint's actuarial assumptions and analyses.
5. What factors, if any, were used in determining whether policy holders were given the opportunity to lower their premium increase, and what options if any were suggested for them to switch to a different policy? Please provide examples of actual rate notifications sent to your policy holders and brokers regarding the premium increase in 2010 that reflect the choices given to policy holders as well as recommendations, if offered, on potential policies they could switch into.
6. For each year 2005 through 2009, a table outlining the premium increases (range, median, mean), the medical loss ratios, and the distribution of the premium increase by consumer policy and benefit design. Please indicate the number and percent of consumers within each category that a) newly purchased coverage; b) terminated individual coverage; and c) migrated to a different Anthem plan in those years. Please also include a detailed explanation, and a table providing the components of medical trend included in your rate filings.
7. Please provide your last 3 rate filings in this market, and indicate how those were acknowledged and/or approved by the appropriate state agency.
8. For each year 2005 through 2010, a table outlining profit margins and the overall contribution of the California market (individual and group) to WellPoint's earnings and reserves, as well the contribution of reserves used to mitigate premium rate increases. What would have been the maximum and average premium rate increase in 2010 absent the 39% cap that Anthem imposed on its products? Has Anthem imposed similar caps in recent years in California or in any other state in which it sells health insurance? If so, what were those caps?
9. Please provide copies of Anthem's Form 1120, *U.S. Corporation Income Tax Return*, for the past five years. Please also provide copies of all studies and reports used to determine compensation for the officers listed on Schedule E of Form 1120.

In cooperating with this review, please note that no documents, records, data or information related to these matters shall be destroyed, modified, removed or otherwise made inaccessible.

We look forward to hearing from you by no later than March 23, 2010. All documents responsive to this request should be sent electronically in PDF format to [staff]. If you have any questions, please do not hesitate to contact [staff] or [staff] of the Finance Committee staff at (202) 224-4515.

Sincerely,

Max Baucus    Chuck Grassley  
Chairman      Ranking Member

*The following letter was sent to Aetna, HealthNet, Blue Shield of California, Kaiser Permanente and UnitedHealth Group.*

February 24, 2010

**Via Electronic Transmission**

[Insurance Company]

Dear [Recipient]:

As Chairman and Ranking Member of the U.S. Senate Committee on Finance, we have spent a great deal of time working on ways to reduce health care spending and improve access to coverage. In order to develop meaningful solutions, we have a duty to stay current on issues and trends in the health care system, including the private insurance market. We take that obligation seriously, which is why we are writing you today.

We are troubled by recent reports about premium increases in the individual market generally, and specifically in California. We are concerned that the magnitude of premium increases being proposed could render health insurance unaffordable for many Americans who purchase their own coverage.

We understand that the individual market faces unique challenges regarding adverse selection and that the recent economic downturn has likely exacerbated these challenges. However, we also believe the American people deserve a clear explanation for why premiums are increasing at such an alarming rate.

We take our oversight responsibilities very seriously and we have always believed that greater transparency allows consumers to make better choices. Accordingly, in an effort to obtain more information about these rate increases, we ask that you provide the following information for the individual market in California:

1. A table outlining your 2010 premium increase, including the range, mean, and median premium increase. Separately, please break out the premium increase by class of consumer (including age, gender, and geography), and benefit design (i.e., size of deductible/cost sharing). If health status or claims experience is used in renewal, please describe how and show its impact.
2. A detailed break-out of the components of the 2010 premium rate increase in California, including all details about the financial and actuarial assumptions used in the rate filing, such as assumptions for consumers dropping coverage, administrative costs, consumers migrating to products with higher deductibles/cost sharing, new consumers, components of trend, profits for 2010 and prior year losses.
3. The average fee schedule increase [Insurance Company] will pay hospitals and doctors in 2010 and that is reflected in the medical cost trend assumption for 2010 and 2011.

4. Copies of any third party reviews of the 2010 rate filing commissioned by [Insurance Company].
5. For each year 2005 through 2010, a table outlining the overall contribution of the California market to [Insurance Company's] earnings and reserves, as well as the contribution of reserves used to mitigate premium rate increases.
6. Please provide copies of [Insurance Company's] Form 1120, *U.S. Corporation Income Tax Return*, for the past five years. Please also provide copies of all studies and reports used to determine compensation for the officers listed on Schedule E of Form 1120.

In cooperating with this review, please note that no documents, records, data or information related to these matters shall be destroyed, modified, removed or otherwise made inaccessible.

We look forward to hearing from you by no later than March 23, 2010. All documents responsive to this request should be sent electronically in PDF format to [staff]. If you have any questions, please do not hesitate to contact [staff] or [staff] of the Finance Committee staff at (202) 224-4515.

Sincerely,

Max Baucus    Chuck Grassley  
Chairman      Ranking Member

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